

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3240
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JANUARY 20, 2021

SUMMARY

Synopsis: Decouples State tax provisions from federal prohibition on cannabis business deductions, but only for businesses with less than \$15 million of gross receipts.

Type of Impact: Annual State revenue loss for the General Fund and Property Tax Relief Fund.

Agencies Affected: Division of Taxation; Department of the Treasury

Annual Fiscal Impact	
State Revenue Loss	Indeterminate

- The Office of Legislative Services (OLS) estimates that this bill will result in an indeterminate annual loss of State revenue to the General Fund and Property Tax Relief Fund. The OLS does not have data on how many cannabis businesses will exist in the State in a given year with \$15 million or less in gross receipts, and the OLS cannot predict which deductions and credits the businesses will utilize.
- For cannabis businesses that are subject to the corporation business tax or the gross income tax, this bill will provide them with the ability to take advantage of deductions and exemptions that they previously were prohibited from using. The OLS assumes that businesses will take advantage of these benefits and that this will result in an indeterminate loss of revenue to the General Fund and Property Tax Relief Fund.
- The OLS projects that this bill may also generate more economic activity by providing incentives for new and existing cannabis businesses, and the State could realize an indeterminate amount of additional revenue as a result.

BILL DESCRIPTION

This bill decouples the corporation business tax from the federal income tax provision that prohibits deductions and credits for cannabis businesses. The bill also decouples the S corporation income under the gross income tax from the federal provision. However, in both these instances, the decoupling only applies to cannabis businesses with less than \$15 million of gross receipts.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will result in an indeterminate annual loss of revenue to the General Fund and Property Tax Relief Fund. The OLS does not have sufficient data to quantify the fiscal impact of this bill, and the rules and regulations governing the cannabis marketplace have not yet been implemented. Furthermore, the OLS does not have data on how many cannabis businesses will exist in New Jersey in a given year with \$15 million or less in gross receipts. The OLS also cannot predict which deductions and exemptions the businesses will utilize.

Nevertheless, providing access to these deductions and credits may also help generate more economic activity by cannabis businesses, and therefore the State could also realize an indeterminate amount of additional annual revenue.

Section: Revenue, Finance, and Appropriations

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).